

LOUISIANA RURAL WATER ASSOCIATION, INC.

FINANCIAL STATEMENTS AND INDEPENDENT
AUDITORS' REPORT

Year Ended June 30, 2014

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, LA

October 09, 2014

Report on the Financial Statements

We have audited the accompanying statement of financial position of Louisiana Rural Water Association, Inc. (a nonprofit organization), as of June 30, 2014, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the Board of Directors
Louisiana Rural Water Association, Inc.
October 09, 2014
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The prior year summarized comparative information has been derived from Louisiana Rural Water Association, Inc.'s 2013 financial statements and, in our report dated December 4, 2013; we expressed an unqualified opinion on those financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Louisiana Rural Water Association, Inc. as of June 30, 2014, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

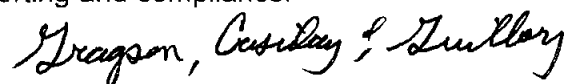
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental information is presented for purposes of additional analysis and is not a required part of the financial statements of the Association. The accompanying schedule of expenditures of federal awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for the purpose of additional analysis and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 09, 2014 on our consideration of Louisiana Rural Water Association, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards in considering Louisiana Rural Water Association, Inc.'s internal control over financial reporting and compliance.



LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Financial Position

June 30, 2014

	2014	2013
ASSETS		
Current Assets		
Cash	\$ 456,237	\$ 315,279
Investments	136,124	130,958
Accounts receivable	166,697	223,212
Prepaid expenses	33,465	38,850
Total Current Assets	<u>792,523</u>	<u>708,299</u>
Fixed assets, at cost (net of accumulated depreciation of \$797,644 for 2014)	<u>566,141</u>	<u>591,519</u>
TOTAL ASSETS	<u>\$ 1,358,664</u>	<u>\$ 1,299,818</u>
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable	\$ 80,656	\$ 98,690
Deferred income	210,527	188,964
Vacation and sick leave payable	295,556	310,448
Note payable	8,609	-
Total Current Liabilities	<u>595,348</u>	<u>598,102</u>
Net Assets		
Unrestricted	<u>763,316</u>	<u>701,716</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,358,664</u>	<u>\$ 1,299,818</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Activities

Year Ended June 30, 2014

	Unrestricted	Temporarily restricted	Totals	
			2014	2013
REVENUES AND RECLASSIFICATIONS				
Grants	\$ 1,274,621	\$ -	\$ 1,274,621	\$1,335,040
Membership fees	279,875	-	279,875	272,527
Conference	210,963	-	210,963	189,239
Training	81,979	-	81,979	81,293
Advertising	33,131	-	33,131	36,199
Interest	7,292	-	7,292	2,368
Other - federal programs	62,148	-	62,148	81,670
Gain on sale of fixed assets	15,000	-	15,000	-
Miscellaneous	13,785	-	13,785	9,226
Net Assets Released from Restrictions:				
Satisfaction of program restrictions	-	-	-	-
Total Revenues and Reclassifications	<u>1,978,794</u>	<u>-</u>	<u>1,978,794</u>	<u>2,007,562</u>
EXPENSES				
General and administrative	534,961	-	534,961	632,911
Federal program subsidies	62,148	-	62,148	81,670
Program services:				
PEW/Water fluoridation	23,574	-	23,574	-
LA - WARN	2,236	-	2,236	552
E.P.A.	32,894	-	32,894	145,609
Circuit rider - National Rural Water	391,153	-	391,153	378,978
Wastewater - National Rural Water	240,813	-	240,813	228,056
Energy	475,498	-	475,498	498,749
Compliance initiative	-	-	-	25,161
E.P.A. - Wastewater	446	-	446	-
Drinking water - USDA	113,471	-	113,471	120,720
Capacity Development training	40,000	-	40,000	40,395
Total Expenses	<u>1,917,194</u>	<u>-</u>	<u>1,917,194</u>	<u>2,152,801</u>
INCREASE (DECREASE) IN NET ASSETS	61,600	-	61,600	(145,239)
NET ASSETS - BEGINNING OF YEAR	<u>701,716</u>	<u>-</u>	<u>701,716</u>	<u>846,955</u>
NET ASSETS - END OF YEAR	<u>\$ 763,316</u>	<u>\$ -</u>	<u>\$ 763,316</u>	<u>\$ 701,716</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Statement of Cash Flows

Year Ended June 30, 2014

	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ 61,600	\$ (145,239)
Adjustments to reconcile increase (decrease) in net assets to net cash from operating activities:		
Depreciation	42,256	45,834
Gain on sale of fixed assets	(15,000)	-
Unrealized (gain) loss on investments	(1,437)	4,755
(Increase) decrease in assets		
Accounts receivable	56,515	(88,149)
Prepaid expenses	5,385	(8,728)
Increase (decrease) in liabilities		
Accounts payable	(18,034)	(635)
Deferred income	21,563	29,733
Vacation and sick leave payable	(14,892)	27,987
Net cash from operating activities	<u>137,956</u>	<u>(134,442)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net sale (purchase) of investments and noncash equivalents	12,863	72,790
Proceeds from sale of fixed assets	15,000	-
Purchase of fixed assets	(16,878)	(14,628)
(Payments) or borrowings on debt	8,609	(70,575)
Net cash used by investing activities	<u>19,594</u>	<u>(12,413)</u>
Net increase (decrease) in cash equivalents	157,550	(146,855)
Cash equivalents - beginning of year	<u>100,966</u>	<u>247,821</u>
Cash equivalents - end of year	<u>\$ 258,516</u>	<u>\$ 100,966</u>
Supplemental Disclosure:		
Cash paid for interest	<u>\$ 609</u>	<u>\$ 2,250</u>

The accompanying notes are an integral part of these financial statements.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Association was formed in 1978 to provide training and technical assistance to rural water and wastewater systems throughout Louisiana.

Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS No. 117, Louisiana Rural Water Association, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

Revenues

Revenues are derived primarily from federal and state grants and from membership fees. Grants are summarized as follows:

E.P.A. - To provide training and technical assistance to rural and small public water supply systems. Revenue of \$31,974 was recognized in the current year. Current grant agreement runs through May 31, 2015.

Circuit Rider - National Rural Water Association, Inc. - To provide technical assistance to systems servicing rural areas or cities/towns with a population under 10,000. Revenue of \$321,600 was recognized in the current year. Current grant agreement runs through September 30, 2014.

Wastewater - National Rural Water Association, Inc. - To provide technical assistance to "Rural Development Administration" funded and potentially funded wastewater systems. Revenue of \$238,603 was recognized in the current year. Current grant agreement runs through June 30, 2014.

Energy - "Rural Water Energy Conservation Program". Revenue of \$474,735 was recognized in the current year. Current grant agreement ran through June 30, 2014.

Drinking Water - USDA - To provide training and technical assistance to implement federal drinking water grant. Revenue of \$100,186 was recognized in the current year. Current grant agreement runs through March 31, 2015.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Very small water system - To provide training for very small water system's operators. Revenue of \$10,000 was recognized in the current year. Current grant agreement runs through June 30, 2014.

PEW Water Fluoride – To educate its members about the importance of water fluoridation and the availability of funding for fluoridation equipment.. Revenue of \$57,523 was recognized in the current year. Current grant agreement runs through August 31, 2015

Capacity Development - To provide on-site technical assistance and training for public water systems. Revenue of \$40,000 was recognized in the current year. Current grant agreement runs through June 30, 2014.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Accounts Receivable

Accounts receivable at June 30, 2014 of \$166,697 represents receivables from the federal and state grants.

Advertising Costs

The Association expenses advertising costs as incurred. Expenses incurred were \$4,643 for 2014.

Deferred Income

Grant funds received from the grantor for particular operating purposes are deemed to be earned and reported as revenues when the Association has incurred expenditures in compliance with the specific restrictions. Such amounts received but not yet earned are reported as deferred amounts.

Cash

Cash includes amounts in demand deposits. The Association's policy is to secure required collateral to safeguard all of the financial instruments. At June 30, 2014, the carrying amount was \$456,237 and the bank balance was \$470,801. Of the bank balance, \$470,801 was covered by federal depository insurance and government securities.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Investments

Investments are composed of mutual funds investing in debt and equity securities and are carried at fair value. The fair value is obtained from monthly investment statements. Investments as of June 30, 2014 are summarized as follows:

	<u>Cost</u>	<u>Fair Value</u>	<u>Carrying Value</u>
Liberty Mutual Fund for U.S. Government Securities	<u>\$ 149,166</u>	<u>\$ 136,124</u>	<u>\$ 136,124</u>

The following summarizes the investment return:

Interest earned	<u>\$ 3,729</u>
Unrealized gain	<u>1,437</u>
Net investment return	<u>\$ 5,166</u>

Prepaid Expenses

Prepaid expenses of \$33,465 at June 30, 2014 represent mostly conference expenses paid at year end.

Vacation and Sick Leave Policies

The Association's vacation policy permits 10 days after one year of service, 15 days after five years of service and 20 days after 20 years of service. Accrued vacation must be taken within one year. Employees are paid for unused vacation days upon termination of employment. Accrued vacation payable is recorded at \$50,037 at June 30, 2014.

The Association's sick leave policy permits the accumulation of one day per month up to a maximum of 120 days. Employees are not paid for unused sick days upon termination of employment. Accrued sick leave is recorded at \$245,519 at June 30, 2014.

The Association has received permission from its federal grantor agency to accrue funded vacation and sick leave benefits. The federal programs fund the accruals to accumulate funds to pay for terminations and long-term illnesses of employees paid from those programs. The accrual cannot be more than the legal liability for those programs.

Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Association considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2014

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reconciliation of cash and cash equivalents at June 30, 2014 is as follows:

Cash Equivalents	\$ 258,516
Noncash Equivalents	<u>197,721</u>
Total Cash	<u>\$ 456,237</u>

Restricted and Unrestricted Revenue and Support

Contributions received are recorded as restricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

Subsequent Events

Management has evaluated subsequent events through October 09, 2014, the date the financial statements were available to be issued.

NOTE B - FIXED ASSETS

A summary of fixed assets follows:

Building and land	\$ 698,891
Equipment	<u>664,894</u>
	1,363,785
Less accumulated depreciation	<u>797,644</u>
	<u>\$ 566,141</u>

Fixed Assets are stated at cost. Depreciation is provided over the estimated useful lives, ranging from 5 to 31 years, of the respective assets calculated on the straight line method. Depreciation expense for the year ended June 30, 2014 was \$42,256.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2014

NOTE C - FUNCTIONAL ALLOCATION OF EXPENSES

The cost of providing the various programs and other activities has been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE D - CONTINGENCIES

The Association receives a substantial amount of its support from federal and state government grants. A significant reduction in the level of this support, if this were to occur, may have an effect on the programs and activities.

NOTE E - INCOME TAXES

The Association is exempt from federal income taxes under the provision of Section 501(c)(6) of the Internal Revenue Code.

Tax years 2011 through 2013 remain subject to examination by the IRS.

NOTE F – RETIREMENT PLAN

The Association has a defined contribution salary deferral plan covering substantially all employees. Under the plan, the Association contributes seven percent of each eligible employee's salary. Employees may contribute up to fifteen percent, but must contribute at least three percent, of each eligible employee's salary. Plan expenses incurred by the Association for the year ended June 30, 2014 was \$54,071.

NOTE G – COMPARATIVE INFORMATION

The financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Association's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

NOTE H – NOTE PAYABLE

Note payable at June 30, 2014 consisted of the following:

\$150,000 line of credit to Jeff Davis Bank dated October 24, 2013, payable on demand or in one payment, including interest at 2.35%, maturity October 24, 2014.

\$ 8,609

LOUISIANA RURAL WATER ASSOCIATION, INC.

Notes to Financial Statements

June 30, 2014

NOTE I – FAIR VALUE MEASUREMENTS

The Association uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures of investments in debt and equity securities that are classified as available-for-sale on a recurring basis.

FASB ASC 820-10 defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure requirements for fair value measurements.

FASB ASC 820-10 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to measurements involving significant unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Association has the ability to access at the measurement date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for the asset or liability.

The fair value measurements and levels within the fair value hierarchy of those measurements for the assets reported at fair value on a recurring basis at June 30, 2014 are as follows:

	<u>Fair Value</u>	<u>Quoted prices in Active markets Identical assets Level 1</u>	<u>Significant Observable Inputs Level 2</u>	<u>Significant Unobservable Inputs Level 3</u>
Short-term investments:				
U.S. Government Securities	<u>\$ 136,124</u>	<u>\$ -</u>	<u>\$ 136,124</u>	<u>\$ -</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2014

<u>Federal Grantor/Pass- Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Grantors Number</u>	<u>Disburse- ments/ Expenses</u>
U.S. Department of Agriculture Passed through National Rural Water Association, Inc. Circuit Rider	10.761	-	\$ 321,600
<u>Other Federal Awards:</u>			
U.S. Department of Agriculture Passed through National Rural Water Association, Inc. Wastewater technical assistance	10.761	-	238,603
U.S. Department of Environmental Protection Agency Passed through National Rural Water Association, Inc. Source water	66.202	-	100,186
Ground water/wellhead protection	66.202	-	29,007
Passed through State of Louisiana Department of Health and Hospitals Capacity Development Training	66.468	-	<u>40,000</u>
TOTAL FEDERAL AWARDS			<u>\$ 729,396</u>

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Louisiana Rural Water Association, Inc and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the Schedule presents only a selected portion of the operations of the Louisiana Rural Water Association, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Louisiana Rural Water Association, Inc.

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of General and Administrative Expenses

Year Ended June 30, 2014

	2014	2013
Advertising	\$ 4,643	\$ 4,035
Conference - other	7,620	6,356
Conference - LRWA	130,626	124,246
Contract labor	-	1,090
Depreciation	-	-
Dues	12,080	12,950
Employee benefits	4,797	2,845
Indirect expenses - Internal	108,789	117,478
Indirect expenses - unallocated excess	146,460	212,797
Miscellaneous	12,027	12,083
Newsletter	26,443	37,635
Office expense	15	10
Public relations	6,404	16,378
Research fund contribution	-	3,500
Retirement	909	653
Rural water rally	8,134	16,526
Salaries	12,992	9,328
Scholarship	1,500	3,000
Service charges	3,009	2,040
Taxes - payroll	966	699
Training	42,656	41,360
Travel	4,891	7,902
	<u>\$ 534,961</u>	<u>\$ 632,911</u>

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Indirect Expenses

Year Ended June 30, 2014

	2014	2013
Board members expenses	\$ 100	\$ 3,240
Depreciation	20,294	20,369
Employee benefits	61,180	57,468
Equipment lease	13,960	14,077
Insurance	9,520	7,342
Interest	-	2,250
Office supplies	27,141	18,533
Miscellaneous	214	703
Postage	6,865	5,585
Professional fees	14,565	12,515
Repairs and maintenance	2,160	5,827
Retirement	20,017	20,497
Salaries	285,962	292,820
Taxes - payroll	21,932	22,900
Telephone	22,310	23,914
Training	120	-
Travel - Administrative	31,686	38,265
Travel - Board	35,236	45,821
Utilities	7,784	8,369
	<u>\$ 581,046</u>	<u>\$ 600,495</u>



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, LA

October 09, 2014

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of Louisiana Rural Water Association, Inc. (a nonprofit organization), which comprise the statement of financial position as of June 30, 2014, and the related statements of activities, and cash flows for the year ended, and the related notes to the financial statements, and have issued our report thereon dated October 09, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Louisiana Rural Water Association, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Louisiana Rural Water Association, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

To the Board of Directors
Louisiana Rural Water Association, Inc.
October 09, 2014
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Louisiana Rural Water Association, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Gragson, Casiday & Guillory



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

W. GEORGE GRAGSON, C.P.A.
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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133**

October 09, 2014

To the Board of Directors
Louisiana Rural Water Association, Inc.
Kinder, Louisiana

Report on Compliance for Each Major Federal Program

We have audited Louisiana Rural Water Association, Inc.'s compliance with the types of compliance requirements described in *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Louisiana Rural Water Association, Inc.'s major federal programs for the year ended June 30, 2014. Louisiana Rural Water Association, Inc.'s major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Louisiana Rural Water Association, Inc.'s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Louisiana Rural Water Association, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Louisiana Rural Water Association, Inc.'s compliance.

To the Board of Directors
Louisiana Rural Water Association, Inc.
October 09, 2014
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Opinion on Each Major Federal Program

In our opinion, Louisiana Rural Water Association, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control over Compliance

Management of Louisiana Rural Water Association, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Louisiana Rural Water Association, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Louisiana Rural Water Association, Inc.'s internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



GRAGSON, CASIDAY & GUILLORY, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS

LOUISIANA RURAL WATER ASSOCIATION, INC.

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses(es) identified? _____ yes X no
- Control deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported
- Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Control deficiencies identified that are not considered to be material weakness(es)? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

_____ yes X no

Identification of major programs:

CFDA Number
10.761

Name of Federal Program
Circuit Rider

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X yes _____ no

II - Financial Statement Findings

- None

III - Federal Award Findings and Questioned Costs

- None

IV - Prior Year Findings

- None